Comments of the

National Consumer Law Center
(On behalf of its Low-Income Clients)

and

Consumer Action

Regarding

Board of the Governors of the Federal Reserve System
Docket No. R–1314
Office of Thrift Supervision
Docket No. OTS-2008-0004
National Credit Union Administration
12 CFR Part 7706

Notice of Proposed Rulemaking
Unfair or Deceptive Acts or Practices in Connection with
Consumer Credit Card Accounts

and

Truth in Lending
Federal Reserve System
12 CFR Part 226
Docket No. R-1286

June 5, 2009

These comments are submitted by the National Consumer Law Center (on behalf of its low income clients),[1] and Consumer Action.[2] These comments are in response to

[1] The **National Consumer Law Center, Inc. (NCLC)** is a non-profit Massachusetts corporation, founded in 1969, specializing in low-income consumer issues, with an emphasis on consumer credit. On a daily basis, NCLC provides legal and technical consulting and assistance on consumer law issues to legal services, government, and private attorneys representing low-income consumers across the country. NCLC publishes a series of sixteen practice treatises and annual supplements on consumer credit laws, including Truth In Lending, (6th ed. 2007) and Cost of Credit (4th ed. 2009) as well as bimonthly newsletters on a range of topics related to consumer credit issues and low-income consumers. NCLC attorneys have written and advocated extensively on all aspects of consumer law affecting low income people, conducted training for tens of thousands of legal services and private attorneys on the law and litigation strategies to deal predatory lending and other consumer law problems, and provided extensive oral and written testimony to numerous Congressional committees on these topics. NCLC's attorneys have been closely involved with the enactment of the all federal laws affecting consumer credit since the 1970s, and regularly provide comprehensive comments to the federal agencies on the regulations under these laws. These comments are written by Chi Chi Wu of NCLC.

the May 5, 2009 Notice of Proposed Rulemaking issued by the Federal Reserve Board (FRB), Office of Thrift Supervision (OTS), and National Credit Union Administration (NCUA) – collectively referred to as the "Agencies." The Agencies' proposed rule would make certain limited changes to the recently finalized rules that were issued under the Federal Trade Commission Act that prohibit certain unfair or deceptive acts or practices (UDAP) with respect to credit card accounts. In addition, these comments are filed in response to the Board's May 5, 2009 NPRM making limited changes to recently finalized amendments to Regulation Z's credit card/open-end credit provisions.

In short:

- Deferred interest plans are inherently deceptive and the Board should return to its original proposal to ban such plans. If it relies instead on a disclosure approach, the disclosures need to be strengthened considerably.

- The rule against waive the protections against unfair and deceptive practices should be in the commentary.

- APR disclosures should be provided at the point of sale.

- We support the other technical changes.

I. DEFERRED INTEREST PLANS

The most significant issue addressed by these May 5, 2009 NPRMs is the treatment of "deferred interest" plans, which are credit card plans that promote "no interest" or "same as cash" until a certain date, but then retroactively assess interest starting from the purchase date if the consumers do not pay off the entire purchase balance by the deferred interest date.

In its final rule issued January 29, 2009, the Agencies had decided to ban deferred interest plans. Specifically Comment 24(b)(1)-1.iii stated that the prohibition against contingent retroactive rate increases would ban the current form of deferred interest plans. 74 Fed. Reg. 5498, 5564, 5572, 5581.

Now the Agencies have backpedaled on this decision and propose to continue to permit deferred interest plans. They have done so by eliminating Comment 24(b)(1)-1.iii. In addition, the Agencies have added Proposed Comment 24(1)-iv, which essentially authorizes deferred interest plans. In lieu of a substantive ban, the Agencies

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[2] **Consumer Action (www.consumer-action.org)** is a national non-profit consumer education and advocacy organization founded in San Francisco in 1971. The organization's hallmark is its free multilingual consumer education materials distributed through a national network of 9,000-plus non-profit and community-based agencies. In addition, Consumer Action serves consumers and its members nationwide by advancing consumer rights, referring consumers to complaint-handling agencies and training community group staff on the effective use of its educational materials. Consumer Action also advocates for consumers in the media and before lawmakers and compares prices on credit cards, bank accounts and long distance services.

propose to add a few new disclosures. However, these disclosures will not stop the abuses of deferred interest plans.

We strongly oppose these changes. The Agencies got it right the first time: deferred interest plans are inherently deceptive and should be banned. Disclosures are simply inadequate to protect consumers. Indeed, Attachment 1 is an example of deferred interest plan abuse sent to us by an attorney who was assisting his father. Even this trained attorney was not adequately informed by a conspicuous disclosure, similar to that proposed by the Board in Section 226.16(h)(4), on a periodic statement of the true nature of the deferred interest plan.

A. Deferred Interest Plans are Inherently Deceptive and The Agencies Should Not Reverse Their Original Decision To Ban Them.

Deferred interest plans are inherently deceptive in the manner in which they are structured. Even with a conspicuous disclosure, many consumers do not understand, *especially at the time that they enter the transaction,* that they will be subject to interest charges starting from the purchase date if they do not pay off the balance in full by the deferred interest date. The most perfect disclosures also would not change the fact that consumers anticipate being able to pay off the balance in full but will later incur serious, unavoidable injury if they miscalculate the due date or their ability to repay in full.

Even when consumers come to understand the deferred interest arrangement with better disclosures on the periodic statement, by that time it is too late – the transaction has been completed, the consumer has received the goods and is liable for the debt. The far better rule, and the only one that truly addresses the unfairness and deception of deferred interest balances, is to ban deferred interest plans altogether.

When creditors offer deferred interest plans, their intent is to trap a certain percentage of consumers into paying the accumulated interest during the deferral period. When entering the transaction, some consumers do not realize that they have to pay the balance in full by the deferred interest date. Even if they do later realize the need to pay off the entire balance by the deferred interest date, by then the damage is done. Furthermore, they may forget or miscalculate the date. Or they may expect to be able to pay the balance in full but for a variety of reasons find that they cannot. In any of these circumstances, the consumer is hit with an enormous application of interest that causes significant injury, is unexpected and unavoidable, and is not outweighed by the creditors' desire to profit from these tricks and traps.

Disclosure is not adequate to protect consumers because, like payment allocation methods, it is very difficult to explain the problem with deferred interest plans to many consumers. The complexity of the issue makes it almost impossible to formulate a short, simple disclosure necessary to adequately prevent consumers from being deceived. Consumers also cannot anticipate the reasons that they may, ultimately, not be able to or will forget to make the final payment before the interest accrues.

Indeed, the Agencies themselves cited these very reasons in supporting their decision to ban deferred interest plans, stating:

> [Assessment of deferred interest] is precisely the type of surprise increase in the cost of completed transactions that §__.24 is intended to prevent. As noted by the commenters, the assessment of accrued interest causes substantial injury to consumers. In addition, for the same reasons that consumers cannot, as a general matter, reasonably avoid rate increases as a result of a violation of the account terms, consumers cannot, as a general matter, reasonably avoid assessment of deferred interest as a result of a violation of the account terms or the failure to pay the balance in full prior to expiration of the deferred interest period. For example, just as illness or unemployment may reasonably prevent some consumers from paying on time, these conditions may reasonably prevent some consumers from paying the deferred interest balance in full prior to expiration. ***In addition, as noted by the commenters, disclosure may not provide an effective means for consumers to avoid the harm caused by these plans.***
>
> Finally, although deferred interest plans provide some consumers with substantial benefits in the form of an interest-free advance if the balance is paid in full prior to expiration, the Agencies conclude that these benefits do not outweigh the substantial injury to consumers. As discussed above, deferred interest plans are typically marketed as ''interest free'' products but many consumers fail to receive that benefit and are instead charged interest retroactively. Accordingly, as with the prohibitions on other repricing practices discussed above, prohibiting the assessment of deferred interest will improve transparency and enable consumers to make more informed decisions regarding the cost of using credit. Accordingly, the Agencies conclude that an exception to the general prohibition on rate increases is not warranted for the assessment of deferred interest.
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> 74 Fed. Reg. at 5528. [emphasis added]

These inherent problems with deferred interest plans are all the more stark in light of the fact that deferred interest plans are typically offered in the context of expensive purchases such as a flat screen TVs, major appliances, or furniture. The attached example shows that the failure to pay in full by the precise date required can result in a $2,000 or more penalty. These are the same types of purchases often involved in spurious open-end credit schemes. Indeed, Attachment 1, involving the purchase of new carpeting, demonstrates the "double whammy" abuse in these schemes. First, the consumer was deceived into thinking that he would not pay interest on that sofa for the deferred interest period without understanding the pitfall of the retroactively assessed interest. Second, he was deceived by not receiving, at the time of his purchase, a set of closed-end disclosures showing the real cost of interest that he could incur.

B. <u>The Agencies Should Ban Overlimit Abuses in Deferred Interest Plans.</u>

Attachment 1 demonstrates another abuse in deferred interest plans, one that had not been previously brought to our attention. In this case, the creditor (General Electric Money Bank) set the credit limit at $6,500, which was the exact price of the goods purchased. The creditor did not require any payments to be made. Thus, once the deferred interest period ended, the retroactive imposition of the accumulated interest of over $2,000 resulted in the account being treated over-the-limit. GEMB assessed an overlimit fee and imposed a penalty rate.

Thus, if the Agencies insist on retaining the ability for creditors to offer deferred interest plans, they must prohibit this abuse. We suggest adding a provision to Proposed Comment 24(1)-iv that:

> The credit limit for a deferred interest plan must be equal to or greater than the initial amount of credit extended plus the amount of interest that could potentially be accumulated at the end of the deferred interest period, minus any required minimum payments.

C. <u>The Deferred Interest Plan Disclosures Must Be Much Stronger.</u>

If the Agencies are not willing to ban deferred interest plans, we make the following suggestions in the next sections to improve the disclosure of these programs.

i. The Board should prohibit the use of "no interest" or "same as cash" (Proposed Reg. Z § 226.16(h)(3)).

Under Regulation Z, the Board has proposed requiring deferred interest plan advertisements of "no interest" or similar term to add "if paid in full by [the end of the deferred interest period.]" However, this disclosure will not be adequate to explain to the consumers the nature of the deferred interest arrangement. Some consumers will understand this disclosure to simply mean: "there will be no interested assessed until the end of the deferred interest period, and then after that, the creditor will start assessing interest on the remaining balance after that date." They will not realize it also means "and interest will accumulate on the account during the deferred interest period, which will be imposed retroactively at the end of that period."

The Board should simply prohibit the use of the terms "no interest," "no interest until X date," or "same as cash" when in fact there will be interest accumulated during the deferral period and imposed if the balance is not paid in full by a particular date. Like payment allocation methods, it is very difficult to explain the important details and conditions of deferred interest plans to many consumers in a concise manner. The complexity of the issue makes it almost impossible to formulate a short, simple disclosure necessary to adequately prevent consumers from being deceived by a statement of "no interest" or "same as cash."

We urge the Board to undertake testing to confirm whether all of the consumers who see the Board's proposed disclosure adequately understand the nature of the deferred interest arrangement. Furthermore, such testing should be done by first showing consumers the "no interest if paid in full by X date" without the benefit of the disclosures in proposed Reg. Z Section 226.16(h)(4). This is because, in many retail settings, the consumer will only see the boldly advertised "no interest if paid in full by X date" and will not have read the application disclosures before signing up for the credit card and purchasing the item.

ii. The content of the special deferred interest plan disclosure should be improved (Proposed Reg. Z § 226.16(h)(4) and Sample G-22).

As we discuss above, one of the problems with deferred interest plans is that the entire concept behind them is confusing, and even the best disclosures may not adequately convey the necessary information. Nonetheless, we believe that the Board's requirement at Proposed Reg. Z § 226.16(h)(4) and its model disclosure could be improved so that a few more consumers might understand it. We suggest the following:

> "You will be charged interest on your purchase **going back to the original purchase date** if you don't pay off the entire balance by [deferred interest period/date] or you make a late payment [for creditors not subject to the FTC Act rules "go over your limit, or otherwise violate your account terms"]. [Add if true: Making only the minimum payment on your account will not pay off the purchase in time to avoid interest]. **If you make only the minimum payments and do not pay off the balance by ___, you will be assessed deferred interest of $_____.**"

The critical phrase in this disclosure is that the interest would be assessed "going back to the original purchase date." This makes clear the retroactive nature of the assessment of interest.

iii. The special deferred interest plan disclosure should be required for all periodic statements.

We appreciate that the Board has proposed requiring a special disclosure for the last two periodic statements prior to the end of the deferred interest period. However, we urge the Board to require a special disclosure for each periodic statement during the time when there is a deferred interest balance. This disclosure will help to remind consumers they must adequately budget to save the funds necessary to pay off a deferred interest balance by the end of the period. For many consumers, reminding them that they need to come up with the funds in the last two months will be too late. By then, consumers simply may not be able to scrape together the funds to pay off the entire balance.

In addition, we believe that the proposed disclosure could be improved. It should clearly state the amount that must be paid and reference the accrued interest such as:

"You must pay $[balance] by [date] in order to avoid paying accrued interest of [amount]." The Board should require the disclosure to be segregated and prominent.

iv. The deferred interest period or date should be disclosed adjacent to or immediately before or after the triggering phrase (Proposed Comment 16(h)-3).

The Board has proposed requiring the deferred interest period to be disclosed in "immediate proximity" to each listing of the phrase "no interest." However, as with the Board's proposal regarding promotional or introductory rates, the Board proposes a safe harbor, *i.e.*, that the disclosure of the deferred interest period or date in the "same phrase" as the triggering phrase is deemed to be in "immediate proximity."

As we similarly stated in our comments to the Board's original Regulation Z NPRM in June 2007, we believe that the safe harbor, as proposed, is inappropriate. The term "same phrase" is ambiguous, and could extend to a lengthy phrase that does not disclose the requisite date in "immediate proximity" to the triggering phrase. The only appropriate safe harbor is a strict one such as "adjacent" or "immediately before or immediately after."

v. All advertisements should be required to disclose with equal prominence the deferred interest period and the special deferred interest disclosure (Proposed Comment 16(h)-3 and 16(h)-4).

The Board has proposed that the requirement of "equal prominence" for disclosure of the deferred interest period and the special deferred interest plan disclosure be limited to written or electronic advertisements. This appears to exclude non-written advertisements, such as radio or television advertisements or telephone solicitations. This is simply inadequate; the deferred interest disclosures must be equally prominent for all these forms of advertisements. It is particularly important for television and radio advertisements, because these appear to be the predominant media in which deferred interest plans are promoted. A consumer literally cannot watch a week's worth of commercial television without seeing an advertisement such as "pay no interest until July 2010" for a bedroom set, carpeting or flooring, or a big screen television.

vi. The special deferred interest plan disclosure should be either side-by-side with or immediately under or above the triggering phrase (Proposed Comment 16(h)-4).

The Board has proposed requiring that the special deferred interest plan disclosure be place in a prominent location "closely proximate" to the triggering phrase. However, proposed Comment 16(h)-4 states that that information will be considered in a "prominent location closely proximate" if it is "in the same paragraph" as the triggering phrase, but will not be if it is in a footnote. The discussion in the Supplementary Information describes this as a safe harbor.

As with the Board's similar proposal in its original June 2007 Regulation Z NPRM on the location of promotional rate information, we disagree strongly with this proposal. A paragraph can be very long, and need not even begin and end on the same page. This safe harbor could easily be abused to obscure information that the Board intends to highlight.

If the Board is to take the "safe harbor" approach, the only appropriate safe harbor is that "prominent location closely proximate" be interpreted as either side-by-side with or immediately under or above the triggering phrase. That location is clearly "closely proximate"; the Commentary's standard is not.

vii. The special deferred interest plan disclosure should be on every document in a mailing that includes a triggering phrase (Proposed Reg. Z § 226.16(h)(4) and Comment 16(h)-5).

The Board has proposed requiring the special deferred interest plan disclosure to be provided closely proximate to the "first statement" of a triggering phrase. Proposed Comment 16(h)-4 states that the first statement is the most prominent listing on the front side of the principal promotional document.

For a single page mailing or document, the Board's proposal will mean that the most prominent statement of a triggering phrase on the front side of the document, or the first statement if none is more prominent than the others, be deemed the "first statement" requiring the special deferred interest disclosure. We agree with this concept, and with the Board's rationale that consumers are drawn to the most prominent statement, not necessarily the first one on the page.

We disagree with the Board's proposal that, in a multi-page document, the special deferred interest plan disclosure need only be given on the "principal promotional document." The purpose of giving consumers this information is to enable them to avoid being misled by a deferred interest plan. They need this information on every document in a solicitation that includes the triggering phrase. Creditors would not include additional documents in the mailing unless they expected consumers to pay attention to them. Allowing creditors to choose only one document on which to give complete information while giving undue emphasis to the inherently deceptively "no interest" pitches on other documents does not adequately protect consumers.

viii. The special deferred interest plan disclosure should be required for envelopes, Internet banner advertisements, and pop-up advertisements (Proposed Reg. Z § 226.16(h)(5)).

The Board proposes to exclude envelopes, electronic banner and pop-up advertisements from the disclosure requirements for deferred interest plans. We disagree with this proposal. Consumers should be given full information about the drawbacks of a deferred interest plan at every opportunity.

II. OTHER ISSUES

A. Language Clarifying that the Protections of the Credit Card FTC Act Rule Cannot be Waived Should Be Included in the Commentary.

Previously, we had suggested that the Agencies include a new subsection or Comment to the Credit Card FTC Act Rule prohibiting waiver, circumvention or evasion of its protections. We appreciate the fact that the Agencies have included language clarifying that the protections of the Rule cannot be waived in the Supplemental Information. 74 Fed Reg. 20,804, 20,806. However, as the Agencies know, the Supplemental Information to a regulation is not accorded the same level of deference as a regulation or Staff Commentary. Wyeth v. Levine, 129 S.Ct. 1187 (2009) (FDA's regulatory preamble did not merit deference in light of lack of notice and opportunity for comment)

Furthermore, this very critical language will never have a permanent home. It will not be codified in the Code of Federal Regulations. It will never appear in any official Agency document except this one Federal Register edition. We urge that the Agencies clearly state in the Commentary that the protections of the Rule cannot be waived, so that it becomes codified, permanent, and most importantly, it has the force of regulatory authority.

B. The Board Should Not Exempt Point of Sale Transactions from the Fundamental Requirement to Provide an APR Disclosure (Proposed Reg. Z § 226.6(b)(2)(i)).

The Board has proposed permitting an exemption for account opening disclosures provided at a point of sale in connection with the financing of goods and services. Instead of requiring disclosure of the specific APR that applies to the account, the exemption permits disclosure of a range of APRs, if the actual APR is provided in a separate document that is sent at a later time.

We oppose this exemption. A consumer should not be able to open an account for which she is not told the price. The exemption is unnecessary and decreases the effectiveness of the account opening disclosures made at point of sale transactions. Almost every retailer offering credit cards has a computer, Internet access, and printer in their stores. In this age of instant online access to credit scores and reports, it is easy enough to determine the consumer's creditworthiness and to print a document with the actual APR in the account opening disclosures. For example, Attachment 2 is a point of sale initial disclosure that includes individualized information on (1) APRs, including a promotional APR and balance transfer APR; (2) a promotional APR period; and (3) credit limit. This disclosure was generated at a retail location and pertained to an account opened literally within 15 minutes at that location. If an issuer via a retail location can establish a credit limit for a newly opened account, surely it can also provide individualized account opening disclosures.

Allowing the actual APR that applies to the account to be disclosed in a separate document at a later time results in a far less effective disclosure First, there is no requirement that the APR in this separate document be clear, conspicuous, segregated or in a certain type size. Furthermore, this separate document might be overlooked or lost by the consumer since it is sent at a later time. This exception decreases consumer protection for a flexibility that issuers do not need.

C. Changes We Support.

We appreciate the fact that the Board and the Agencies have made a number of changes that we support. These include:

1. New Proposed Comment 21(c) – This applies the protections of the FTC Act Credit Card Rule to consumer credit card accounts that have been closed, acquired, or transferred between accounts issued by the same bank. We support this proposed comment.

2. Proposed Comment 22(b)-3 – This comment has been modified to include a an explicit reference that the provisions of the E-Sign Act must be complied with for accounts that provide only electronic periodic statements. We strongly support this proposed comment.

3. Proposed Section __.24(b)(1) – This section of the Rule has been modified to clarify that the Account Opening Exception does not permit a rate increase triggered by a contingency or at the bank's discretion. This language had been previously included in Comment 24(b)(1)-1. We appreciate that the Agencies have included this clarification in the Rule itself, and strongly support this change.

ATTACHMENT 1

----- Original Message -----
From: [redacted]
To: [redacted]
Sent: 4/03/2009 1:13PM
Subject: RE: Re:

[redacted]

Sorry I am late responding. After my mother died in 2006, my father had his knee replaced. Complications from that surgery forced us to replace the carpet in his bedroom with pre-fab hardwood floors. Someone decided to get a quote from Empire. Empire did the job for $6500, and had a 1 year, no interest policy. Apparently, part of that required us to open a credit card account with GE Money Bank, with a credit limit of $6500. My sisters and I do not recall signing a credit application. I am not denying it, but I don't recall.

The job was complete in January of 2007. The certificate of completion is signed by the installer, but not us. I have attached the very first statement dated 2-27-07. Note that there is nothing on the first statement indicating that there might be an "Overlimit fee" We did not make any payments on the account and no one recalls seeing any statements over the next year. We got the first statement in March or April of 2008. Since the account had not been paid, interest was added on the account. When the first dollar of interest was added, the account was "over the credit limit", and the $30 over limit fee was due. My father's caretaker at the time made the minimum payment for a few months, (transferring funds over the phone for an additional $15 fee) which included the overlimit fees.

When I was told about this, I tried to find out what was disclosed to us, and who signed what, if anything, I called the 800 number and they needed to see the power of attorney before talking to me. I emailed it to them. After that I followed up, and they would never acknowledge that they received my email, nor would they give any information to me. I wrote a letter requesting information, which was ignored. Finally, I paid the $6500 and mailed it to the El Paso address, marked "paid in full." They kept sending bills, and I wrote another letter, informed them that I had paid the account in full, cited a few cases, and demanded that the close the account and inform the credit reporting agencies. They said they would investigate and that we would not owe interest while they were investigating. They never reported the results of their investigation, other than to resume sending bills, eventually turning the matter over to collection.

[redacted]

Account Number [redacted]

Total Minimum Payment Due	Payment Due Date	Overlimit Amount	Balance	Suggested Payment
$262.00	06/21/2008	$2,217.37	$8,717.37	$2,479.37

Fill in Amount Completely: $ ☐☐☐☐☐.☐☐

☐ New address or e-mail? Check the box at left and print changes on back

[redacted] 2444

Mail Payments to: GE MONEY BANK
PO BOX 960061
ORLANDO, FL 32896-0061

[redacted]

Pay online at www.geonlineservice.com or enclose this coupon with your check to GE MONEY BANK. Please use blue or black ink.

EMPIRE/GEMB

GE Money

For Customer Service visit us online at: **www.geonlineservice.com** or call: **1-866-396-8254** to report your card lost or stolen.

ACCOUNT INFORMATION

Account Number	[redacted]
Statement Date	05/27/2008
Payment Due Date	06/21/2008
Total Minimum Payment Due	$262.00
Overlimit Amount	$2,217.37
Suggested Payment	$2,479.37
Days This Period	30

PAYMENT DUE BY 5 P.M. ON THE DUE DATE
We may convert your payment into an electronic debit.
See reverse side.

BALANCE SUMMARY

	Previous Balance	$8,764.66
+	New Purchases / Balance Transfers	$15.00
-	Payments	$263.00
+/-	Credits, Fees & Adjustments (net)	$30.00
+/-	**FINANCE CHARGE** / Transaction Fees (net)	$170.71
=	New Balance	$8,717.37
	Credit Limit	$6,500.00
	Available Credit	$0.00

ACCOUNT ACTIVITY

Tran Date	Post Date	Reference Number	Description	Amount
05/05/2008	05/05/2008	[redacted]	PAYMENT - THANK YOU	$263.00 CR
05/05/2008	05/05/2008		PAY BY PHONE FEE KETTERING OH	$15.00
05/27/2008	05/27/2008		OVERLIMIT FEE	$30.00
05/27/2008	05/27/2008		*FINANCE CHARGE*	$170.71

FINANCE CHARGE SUMMARY

How Your FINANCE CHARGE Was Calculated	Computed on Average Daily Principal Balance	Daily (D) Periodic Rate	Corresponding Annual Percentage Rate	Periodic FINANCE CHARGE
Purchases	$8,657.18	0.06573% (D)	23.99%	$170.71
ANNUAL PERCENTAGE RATE -Purchases	23.990%	Total Periodic FINANCE CHARGE		$170.71

CARDHOLDER NEWS

We are changing the Delinquency Interest Rate from a variable APR to an APR of 28.99%, beginning with your June 2008 billing cycle date. Your Late Payment fee will also change beginning June 2008 as follows: $29.00 if your balance is up to $249.99, or $39.00 if your balance is $250.00 or more. As always, these fees can be avoided by making the Minimum Monthly Payment on your statement by the Due Date. Your June billing statement will contain the full details.

IN ORDER TO PROTECT YOUR ACCOUNT PRIVACY, WE ARE UNABLE TO PROVIDE ACCOUNT INFORMATION TO ANYONE OTHER THAN THE CARDHOLDER(S) OR AN AUTHORIZED PARTY. IF YOU WISH TO PERMIT US TO SPEAK TO ANY AUTHORIZED PARTY SUCH AS A SPOUSE ABOUT YOUR ACCOUNT, PLEASE SEND WRITTEN AUTHORIZATION TO THE GENERAL CORRESPONDENCE ADDRESS.

YOUR PERIODIC RATE AND ANNUAL PERCENTAGE RATE MAY VARY.

Suggested Payment must be made to avoid additional Overlimit Fees.

YOUR ACCOUNT BALANCE CURRENTLY EXCEEDS YOUR CREDIT LIMIT.
PLEASE REMIT PAYMENT FOR YOUR OVERLIMIT AMOUNT TO
AVOID ADDITIONAL OVERLIMIT FEES.

[redacted]

Minimum Payment Due	Payment Due Date	New Balance	Account Number
$0.00	03/24/2007	$6,500.00	[redacted]

Fill in amount completely $ [ ][ ][ ][ ][ ] . [ ][ ]

☐ Address change? Check here and complete the reverse side

Mail Payment To: GE MONEY BANK
PO BOX 960061
ORLANDO, FL 32896-0061

[redacted] 986

[redacted]

Enclose This Coupon With Your Payment. Make Check In U.S. Dollars Payable to: GE MONEY BANK . Please use blue or black ink.

EMPIRE/GEMB

GE MONEY BANK

1-2

For Customer Service or to report your card lost or stolen, call ***1 - 866-396-8254*** *or visit us on the web at:* ***www.GEOnlineService.com***

ACCOUNT INFORMATION

Account Number	Statement Date	Payment Due Date	Days This Period	Credit Limit	Credit Available
[redacted]	02/27/2007	03/24/2007	31	$6,500.00	$0.00

BALANCE SUMMARY

Previous Balance	+ New Purchases	- Payments	+/- Credits, Fees and Adjustments (net)	+/- FINANCE CHARGE	= New Balance
$0.00	$6,500.00	$0.00	$0.00	$0.00	$6,500.00

TRANSACTION SUMMARY

Post Date	Tran Date	Reference Number	Description	Amount
01/29	01/29	[redacted]	EMPIRE HOME FURN NORTHLAKE IL NO PAY UNTIL FK30689	$6,500.00

PROMOTIONAL PURCHASE SUMMARY

No Finance Charges will be incurred on the amount of a Deferred Interest promotional purchase if you pay the promotional purchase amount in full by the indicated Due Date and (as applicable) you pay at least any Minimum Payment Due on your Account each month when due. If a promotional purchase amount is not paid in full by the indicated Due Date, Finance Charges will (or if any Minimum Payment Due is not paid when due, may) be assessed on this amount from the transaction date (or, at creditor's option, from the posting date).

Purchase Date	Promotional Purchase Amount	Deferred FINANCE CHARGE	Promotional Purchase Due Date	Promotional Balance
01/29/2007	$6,500.00 No Pay Until	$129.38	04/26/2008	$6,500.00

PAYMENT DUE BY 5 P.M. ON THE DUE DATE.

Purchases, returns, and payments made just prior to billing date may not appear until next month's statement.
Unless promotions call for special terms, additional finance charges can be avoided if we receive the new balance by 5 p.m. on the due date.
We reserve the right to obtain payment electronically for any check or other instrument that you send to us by initiating an ACH (electronic) debit in the amount of your check or instrument to your account. Your check or instrument will not be returned to you by us or your bank. Your bank account may be debited as early as the same day we receive your payment.

GENERAL INQUIRIES:

Send inquiries (not payments), including your account number to:

GE MONEY BANK
PO BOX 981127
EL PASO, TX 79998-1127

MAIL PAYMENT TO:

GE MONEY BANK
PO BOX 960061
ORLANDO, FL 32896-0061

BILLING ERRORS:

GE MONEY BANK
PO BOX 981438
EL PASO, TX 79998-1438

"NOTICE: See reverse side and additional pages (if any) for important information concerning your Account."

ATTACHMENT 2

IT'S OFFICIAL.

Your TrueEarnings℠ Card from Costco and American Express has arrived.

3% **Cash Back for Eating out**

2% **Cash Back for Traveling**

1% **Cash Back for Everything else** **Including at Costco**

We've attached your temporary TrueEarnings Card from Costco and American Express. Use it today at any Costco Wholesale location in the U.S.
You may continue to use your temporary TrueEarnings Card at Costco only for the next two weeks while you wait for your permanent Card to arrive.

When your permanent TrueEarnings Card arrives, use it everywhere American Express(R) Cards are accepted and enjoy the great benefits of Cardmembership - inside or outside Costco. And start earning 3% cash back for eating out, 2% for traveling, and 1% everywhere else you use your Card, including at Costco.

Cut here and mail in the enclosed reply envelope.

Return your Balance Transfer Form in the enclosed reply envelope or mail to: American Express, P.O. Box 31511, Salt Lake City UT 84131-9948 COBTWH

TRANSFER HIGH-INTEREST BALANCES AND GET A 1.99% APR FOR THE FIRST 6 MONTHS OF CARDMEMBERSHIP ^

Transfer the amount shown from the MasterCard, Visa, or Discover account listed below to my new TrueEarnings Card from Costco and American Express ^^

Account Number __ __ __ __ - __ __ __ __ - __ __ __ __ - __ __ __ __

Bank Name State $ Transfer Amount

Account Number __ __ __ __ - __ __ __ __ - __ __ __ __ - __ __ __ __

Bank Name State $ Transfer Amount

[redacted] account number

Payments may be applied first to balances with lower APRs before being applied to balances with higher APRs.

PLEASE SIGN HERE

By signing below, I certify that I have read, met and agreed to all the terms, conditions, and disclosures on this form.***

X _____
Signature (please do not print)

^ See Supplement to Cardmember Agreement for details.
^^ Minimum transfer amount $100.

Cut here and mail in the enclosed reply envelope.

Supplement to Cardmember Agreement

LINE OF CREDIT: $ 10000

INTRO PURCHASE APR: 00.000% (0.0000%DPR*) IN EFFECT THROUGH BILLING PERIODS ENDING 04/06, THEN STANDARD PURCHASE APR IS 16.230%(0.0444%DPR*) BASED ON THE CURRENT PRIME RATE.**

INTRO BALANCE TRANSFER APR: 1.99% (0.0055% DPR) IN EFFECT FOR FIRST 6 MONTHS OF CARDMEMBERSHIP FOR BALANCES TRANSFERRED WITHIN THE FIRST 90 DAYS OF CARDMEMBERSHIP.

DEFAULT APR IS 29.230% (0.080%DPR)**

*Calculation of Daily Periodic Rate:
The DAILY PERIODIC RATE ("DPR") for Standard Purchases is based on an ANNUAL PERCENTAGE RATE ("APR") adjusted each billing cycle. Subject to the "Finance Charges" section of the Cardmember Agreement, the APR for Standard Purchases is equal to the applicable Prime Rate + 8.99% The Daily Periodic Rate for each billing period is 1/365th of the APR in effect for that billing period, rounded to the nearest one ten-thousandth of a percentage point. Please see your Cardmember Agreement for definition of terms and further details.
**This is a variable rate.

***If I accept this opportunity to transfer balances to American Express Bank, FSB ("AEFSB"), I authorize AEFSB to forward payment on my behalf to the account(s) indicated on this form. I understand that Finance Charges will begin to accrue at the time AEFSB initiates payment. I understand that my TrueEarnings Card will be debited for the total approved transfer amount. I represent that the account(s) listed on this form are in good standing, and I will maintain their current status until AEFSB has forwarded payment. I agree to keep paying the minimum payment on these account(s) until confirmation appears on my TrueEarnings Card statement. I will be responsible for these account(s) and for closing them. I understand that transfers may take five to six weeks. I authorize AEFSB to verify the status and balance of these account(s). I understand that AEFSB may, at its discretion, deny a transfer request for any reason or process a transfer request up to an amount approved by AEFSB. Additional Cardmembers may not authorize any balance transfers to the Basic Cardmember's TrueEarnings Card. I acknowledge that I have received the Cardmember Agreement with this form.

Fold here

Temporary TrueEarnings℠ Card

from Costco and American Express

[redacted]

Valid through: 01/08

Name: [redacted]

[redacted]

Member Number:

Photo ID Required for Credit / Check Purchase

Temporary Card expires: 01/29/06

Cut here and use